

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Release Number: **201507037**

Release Date: 2/13/2015

Date: 11/21/2014

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

W=

X=

Y=

Z=

b dollars=

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

Our determination

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations in Code section 117(c)).

Description of your request

Your letter indicates you will operate a scholarship program called X.

Your purpose is to pay all or a part of a recipient's expenses incurred in attending an educational institution described in section 170(b)(1)(A)(ii) of the Code.

The purpose of X is to provide educational grants and scholarships to dependent family members ("Affected Family Members") of individuals who were employed by or working under contract at your facilities and who perished in the September 11, 2001 terrorist attacks. Children of victims of any future "act of terrorism" taking place in W shall also be eligible to apply for X.

You will award approximately Y awards annually for the next Z years in the amount of b dollars for each recipient. You will pay for the postsecondary education (including tuition, room and board and standard matriculation fees) of each Affected Family Member. Your Board of Directors will make a conservative estimate each year of the funds it must reserve in order to fulfill your primary mission (the "Primary Mission Reserve") based upon a number of factors including the number of Affected Family Members who have yet to complete college, the projected costs of college tuition and expenses, the past and projected performance of your assets and other economic factors. To the extent that you have assets in excess of its Primary Mission Reserve, you may consider providing scholarships to Affected Family Members to assist with the costs of elementary, secondary and graduate (post-college) education. While post-secondary educational scholarships may be granted to Affected Family Members who apply, scholarships for elementary and secondary education will be based primarily on financial need, while scholarships for graduate education will be based on a combination of financial need and academic merit.

You will maintain a list of families with Affected Family Members. All families with Affected Family Members have been notified and reminded periodically in writing of the availability of educational scholarships. You will send a letter each year to each family with Affected Family Members reminding them of the availability of scholarships and inviting them to apply. In addition, you will monitor the ages of Affected Family Members and will reach out personally (by letter, email or telephone) to Affected Family Members who are high school juniors and seniors to encourage them to apply for scholarships. You will send a personal letter to Affected Family Members who were high school juniors and seniors at the beginning of the school year describing your college scholarship program. You will contact high school seniors towards the end of the school year to determine their educational plans for the following year and encourage the submission of a scholarship application.

You will not consider grades for initial eligibility for a postsecondary scholarship. However, you will ask the recipient's secondary school to confirm that the recipient graduated and a transcript will be required to verify a recipient's good standing at his or her postsecondary school in subsequent years. You will require an applicant seeking financial assistance for costs related to enrollment other than tuition, room and board and standard matriculation fees such as books, health insurance or computer supplies, to submit information demonstrating financial need.

Members of your Board of Directors, officers, relatives of such directors or officers and disqualified persons with respect to you are ineligible to apply for scholarships. You will use objective and nondiscriminatory selection criteria in awarding educational grants. You may make grants for postsecondary education (tuition, room and board, standard matriculation fees) to each Affected Family Member who requests assistance. Once you substantiate an application, you will award a full scholarship regardless of need. In any year that you have assets in excess of the Primary Mission Reserve, you will award scholarships for elementary, secondary and graduate educational expenses of Affected Family Members. You will award scholarships for pre-college education based on financial need. You will award scholarships for post-college education based on a combination of criteria including financial need, prior academic performance and other achievements. You will not consider factors such as race, gender, ethnicity or religion in the selection of recipients.

To remain eligible for a scholarship, the recipient must submit evidence (e.g., transcript) to you each year to verify his or her enrollment and good standing at the educational institution. You will make payments directly to educational institutions described in section 170(b)(1)(A)(ii) of the Code. You will supervise, investigate, and review scholarships by complying with the requirements of section 53.4945-4(c)(5) of the Treasury Regulations. You will require each institution to which such scholarships are paid to agree to use funds from the scholarship to defray a recipient's expenses or to pay the funds (or a portion thereof) to a recipient only if the recipient is enrolled at such institution and the recipient's standing at the institution is consistent with the purposes and conditions of the scholarship.

You will undertake supervision and investigation of the grant if the educational institution does not agree to monitor the recipient's standing or if you make a payment directly to the recipient. With respect to a scholarship under section 4945(g)(1) of the Code paid directly to a recipient for study at an educational institution described in section 170(b)(1)(A)(ii) of the Code, you will ensure that it receives at least once per year a report, verified by the educational institution attended by the recipient, that sets forth the recipient's courses taken and grades received in each academic period. In the case of a recipient whose study at an educational institution does not involve the taking of courses but only the preparation of research papers or projects, such as the writing of a doctoral dissertation, you will ensure that it receives at least once per year a brief report, approved by the faculty member supervising the recipient or by another appropriate university official, regarding the progress of the recipient's paper or project. Upon completion of the recipient's study at the educational institution, you also will obtain a final report describing the recipient's accomplishment with respect to the scholarship and accounting for the funds received under such scholarship.

If there are reports to you or other information (including failure to submit reports after a reasonable time has elapsed from their due date) indicates that all or any part of grant funds are not being used for the purposes of such grant, you will initiate an investigation. While conducting the investigation, you will withhold further payments to the extent possible until you have determined that no part of the grant has been used for improper

purposes, and until any delinquent reports have been submitted. If you determine that all or any part of a scholarship has been used for improper purposes and the recipient has not previously diverted funds, you will take all reasonable and appropriate steps either to recover the funds or to ensure the restoration of the diverted funds and the dedication of other scholarship funds held by the recipient to the proper purposes. You will withhold any further payments to the recipient until you have received the recipient's written assurance that future diversions will not occur, and have determined that the recipient has taken extraordinary precaution to prevent future diversions from occurring. In cases where a recipient has previously diverted funds received from you, and you determine that any part of a scholarship has again been used for improper purposes, you will take all reasonable and appropriate steps to recover the funds or to ensure the restoration of the funds and the dedication of other scholarship funds held by the recipient for their proper purposes. Furthermore, you will withhold any further payments to the recipient until the diverted funds are in fact recovered or restored, you have received the recipient's written assurance that future diversions will not occur, and you have determined that the recipient has taken extraordinary precautions to prevent future diversions from occurring.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b)(1)(A)(ii).

Other conditions that apply to this determination

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations

cc: